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Morrill, Justin Smith

The impolicy of making
paper a legal tender

[S.I.]

1862

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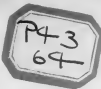
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THE IMPOLICY OF MAKING PAPER A LEGAL TENDER.

SPEECH

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OF

HON. JUSTIN S. MORRILL, OF VERMONT,

IN THE HOUSE OF REPRESENTATIVES, FEBRUARY 4, 1862.

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The House being in Committee of the Whole on the bill to authorize the issue of United States notes, and for the redemption or funding thereof, and for funding the floating debt of the United States—

Mr. MORRILL, of Vermont, said:

Mr. Chairman, engaged as I have been upon other matters of at least equal importance, I have not had the time to prepare any elaborate speech; but the subject of issuing \$150,000,000 of paper currency and making it a legal tender by the Government at a single bound—the precursor, as I fear, of a prolific brood of promises no one of which is to be redeemed in the constitutional standard of the country—could not but arrest my attention, and, having strong convictions of the impolicy of the measure, I should feel that I utterly failed to discharge my duty if I did not attempt to find a stronger prop for our country to lean upon than this bill—a measure not blessed by one sound precedent, and damned by all.

I know the gentlemen who have had this measure in charge have bestowed upon it much time and perplexing thought, and, from their thorough knowledge of the subject and large acquaintance with the monetary circles of the country, their opinions will have great weight in this committee—deservedly so—and I shall only claim a candid hearing in behalf of the substitute of the minority of the Committee of Ways and Means, well knowing that we are all inflamed by the same zeal for the triumphant success of our arms, the same solicitude for the honor and welfare of the people who mean to live and die under the flag of our Union, and that we can have but one wish, which is that the best plan shall be adopted.

Let no one suppose that I imagine the country will be ruined—however calamitous I might regard the passage of this bill—whether one particular measure is adopted or rejected. This Gov-

ernment is, thank God! too strongly intrenched in the hearts of the people not to be able to withstand more than one disaster, or more than one blunder. But it is a time when it might be pardonable morality almost to say that "a blunder is worse than a crime."

We are urged by the gentleman from New York to pass this bill as "a war measure"—"a measure of necessity;" and to enforce this idea he gives you the figures of our probable requirements if the war should be prolonged until July 1, 1863. Sir, I have no expectation of being required to support a war for that length of time. The ice that now chokes up the Mississippi is not more sure to melt and disappear with the approaching vernal season, than are the rebellious armies upon its banks when our western Army shall break from its moorings, and, rushing with the current to the Gulf, baptize as it goes in blood the people to a fresher allegiance. At the same time the men of the East will only ask for an opportunity to cross bayonets with the chivalry—to leave epithets and try what virtue there is in steel! That hour is approaching, and I have no fear of the result.

"Fly swifter round ye wheels of time!"

We can close this war by the 30th day of July next as well as in thirty years. Let us second General McClellan for "a short and sharp" conflict. By so doing we shall economize both blood and Treasury notes.

If this paper money is "a war measure," it is not waged against the enemy, but one that may well make him grin with delight. I would as soon provide Chinese wooden guns for the Army as paper money alone for the Treasury.

What is it that we most need? Clearly we lack money, and wish to inspire our own people with that confidence that will induce them to lend the

requisite amount. But the very first step we propose is one to destroy whatever of confidence yet remains among those who have a dollar to lend. We proclaim by an engraved advertisement—to be forced into the pocket of every man by the fiat of the Government—that we will hereafter liquidate all our debts with paper only. With such a stamp on our forehead, it cannot be expected that we shall find either patriotism or selfishness hereafter prompting anybody to volunteer to take a single bond more of the United States. Some unhappy contractor may be caught, and forced to accept in payment of existing debts the ill-starred notes and bonds, to be disposed of as fancy stocks for the most they will bring; but, profiting by experience, no contractor will be caught the second time without securing an ample margin to enable him to deal at last with the Jews on the Rialto. When the bonds of the same Government can be had, with a same rate of interest, and the same time to run, for less than ninety cents on the dollar, and be paid for in bank paper worth three and a half per cent. less than par, it requires a stretch of the imagination to see anybody walking up to our worthy Secretary of the Treasury and tendering one hundred cents on the dollar for just the same thing.

By making our notes a legal tender, we make them better for the moment than we can make our bonds, and men might be willing to exchange bonds for the notes; but notes for bonds never, with no surety of anything better than notes twenty years hence. Twenty years' bonds, at six per cent. interest, can not be disposed of at par.

If, by the provisions of this bill, we cut ourselves off from all other resources, it is to be considered how much could be realized from this, in my judgment, the weakest resource within our grasp, which is the power of a bank of issue, without any capital, and not even specie enough to tender the old change. It is an experiment to inject, by a governmental force-pump, into the arteries of commerce a new currency when the arteries are already filled. The whole bank circulation of the United States, in 1860, was \$307,102,477. That of the rebel States was \$50,647,028; leaving for the loyal States \$156,455,449.

But at this time, in consequence of the diminution of all business except that nourished by the war, the bank circulation is over \$20,000,000 less, or about \$136,000,000. I admit that we can drive some considerable share of this home upon the banks, and substitute that of the notes of the United States in its place. But how meager the result, could we even displace the whole, compared with the magnificent proportions of our wants!

These banks, however, already hold in round numbers nearly \$100,000,000 of United States securities. If in addition to this we compel them to redeem their bills now circulating as currency, we compel them to collect their notes receivable or part with their dead and I might add crucified loans to the Government. Their customers are to a large extent composed of their own stockholders. Of course it is easy to see what part of their assets will be melted down and realized first. The Government stocks would be thrown upon the market, and the downward tendency of public credit could not be arrested. The competition in the market between the Government, avowing its poverty and imbecility, and those who have divided their last crust to support the Government would be sharpened by mutual disappointment, and a distrust would be created that no subsequent measures could wholly remove.

It is pretended that as the whole United States are holders for the redemption of these notes they must be good, and will, therefore, pass at par, especially if made a legal tender. Never was a greater fallacy. The United States are abundantly able to meet all the vast exigencies of this war, to pay all liabilities, only put them into the proper form. It cannot be done on demand, and it is a fiction to pretend to do so. They must be funded until the means can be accumulated for their redemption. As a mere currency no more of them can be used than enough to fill the demands of commerce. That measure is the extent they will go, and it is clear and well defined. Even when they were redeemed in specie, and stood at par all over the country, the Government succeeded in circulating but \$37,000,000 of the \$50,000,000 authorized; and of these the banks had received and held \$7,000,000. It is thus apparent that \$20,000,000 is about all that would be absorbed by the country, or kept afloat, in the present condition of monetary affairs, without the intervention of congressional omnipotence in making them a legal tender. If so made, they would to the extent they are tendered for public dues be a forced loan; and to the extent of the difference between their current value and that of standard coin, it would be a breach of public faith. It is true that the measure might be hailed with delight by bankrupts; and, if the bill passes, my friend from New York [Mr. CONKLIN] no longer needs to press his bankruptcy law, for they would have no occasion to go into chancery in order to scale and settle off with their creditors, as "legal tender" would soon be offered at rates entirely within their means. I submit, however, that this class is not the one for Government to rely upon

for large assistance in the way of hoarding and holding Treasury notes.

Mr. Chairman, I object to this bill on the ground, as I conceive, of its utter impolicy. I admit that from the contracts entered into—many of which, now due, I regret have not been paid as promptly as they deserved to be, and from the heavy monthly disbursements to our Army, that the Government can flood the country with even one hundred and fifty millions of paper dollars. But from that moment you would vastly increase the cost of carrying on the war; prices would go up, and the addition we should pile upon our national debt would prove that it might have been even wiser to have burnt our paper dollars before they were issued. The inflation of the currency would be inevitable. In ordinary times few comprehend the Archimedean leverage of a very few millions added to or subtracted from the currency of a nation actively engaged in the affairs of the world. In the former case it produces a crisis and general bankruptcy, and in the latter it puts every speculator on tip-toe to buy out his neighbor—his horse, his ox, his ass, or anything that by keeping overnight will put money in his purse. Property becomes as volatile as alcohol at boiling heat, and cannot be kept within its ancient boundaries. The poor man, accustomed to butcher's meat, and who has not counted tea and coffee as luxuries, suddenly finds their daily use beyond his means. The ecstasy of an inflated currency is enjoyed by the few only, and these are cruelly punished when the gaseous influence subsides. They now have this inflated currency in the rebel States, and all property there, real and personal, sells at nearly twice its usual value. Yet we know their positive misery. The rich men are getting possession of even the little that poor men were before suffered to retain. I hope we may remain true to our traditions—resolve that we are the saints, and let their happiness be increased by their misery.

Why, sir, during the contest of Old Hickory with that "monster," the old United States Bank, now buried below the lower red sandstone of geologists, I remember it was made a grave charge against the bank that it had contracted its circulation \$2,000,000 to produce a monetary pressure upon the country, and thereby, as was charged, to influence pending elections. Soon after it came Old Hickory's turn, and he urged the so-called "deposit banks" to increase their circulation, so that the United States Bank would find its "vacation gone," but "the monster" would not surrender in that way, and expanded its own circulation from about thirty million dollars, in 1830, to \$41,000,000 in 1835; and this \$14,000,000 be-

yond the usual average, with about an equal expansion on the part of the other banking institutions of the country, was the sum of the inflation of 1836, producing its inevitable sequence, as we all know, the terrible collapse of 1837, from which the country failed to recover in less than ten years.

The question of the constitutionality of this bill, although a grave one, I do not propose to discuss, especially as it will undoubtedly be examined by far abler hands. It will be conceded that the power is nowhere contained in the letter of the Constitution, and that, in all our history since the adoption of the Constitution, it has never been exercised. It is an infernal or doubtful power, lodged wherever gentlemen may choose to place it, and liable, as I presume this debate will show, to change its lodging-place, like members of Congress, at very short notice. I should, therefore, regret to see such a power, if it exists at all, exercised at this time. The Constitution, in giving to Congress the power to levy and collect taxes, gives us ample power, so long as taxable property in the greatest abundance exists, to make loans and protect the public credit. In this great crisis of our country, if we expect to retain the semblance of freedom, if we expect to retain any of the features of a republican form of Government, if we hope ever to see the epaulettes stripped from the great host of military officers, now ready to go forth to battle, and their swords laid aside, we must hold every department of the Government and every officer to a strict adherence to the Constitution and the laws. We are the custodians of the destinies of our country, and must not provoke the inquiry, *who shall take us into custody?*

The power "to coin money, regulate the value thereof, and of foreign coins," has been exercised often and not too wisely, but it has never been construed to cover the alchemical transmutation of paper into gold and silver. In 1792 we set up our standard of gold coins at one part alloy in eleven parts pure metal, and we made our silver dollar of the same value of the Spanish pillar dollar. In 1834 we reduced the standard to a little less than nine parts of pure metal to one part of alloy, and in 1837 we adjusted both gold and silver coin to a standard of nine parts pure metal to one part of alloy. In 1853 we reduced the value of the silver half dollar to about forty-six cents and a half, and fractional parts in proportion. These are a tender only in sums not beyond five dollars, while the silver prior to 1837 is, I believe, if you could find any, a tender to any amount. We have also tinkered to some extent in the reduction of the weight of our coins, and cents have lost something in value, vainly endeavored to be

compensated by their beauty, and may be tendered to the extent of thirty cents.

The discovery of the gold mines in California and Australia has added immensely to the quantity of gold throughout the world. As the increase of silver, after the discovery of America, depreciated its value nearly one half, so it was feared the immensity of the influx of gold would at an early date destroy it as a measure of value, and reduce it to the level of some of the baser metals. This theory does not quite appear to be in the process of realization. The mines have not proved to be the

"N w milk that all the winter never falls,
A d all the summer overflows the pails."

But their productiveness is slowly decreasing. While in its normal hiding-places gold did not add much to the bulk of and was absorbed by the surrounding earth and rocks, so when ushered into the highways of commerce, of the arts, and of luxury, it seems to have a marvelous affinity to be absorbed by whatever it touches, and wherever it can be made either useful or ornamental.

Still it is true that the almost incredible augmentation of the gold product of the world for the last dozen years has lessened its commercial or money value not less, as I estimate, than two per cent. per annum, or twenty to twenty-five per cent., as a whole, during that period of time. The measure of value would appear, therefore, to be quite low enough without resorting to any paper expedients or legislative action to further reduce it. If we are to have any standard, gold is the cheapest one our country, emphatically the land of gold, ought to accept. It should not be forgotten at the same time, as cheap as gold is, that our own standard coins are now fixed at considerably below the standard of many other countries. The gold of England, and even of Turkey and Japan, outranks American gold; and American silver, if so unlucky as to remain dormant in any pocket for a week, might pass the custom-house for "old pewter, only fit to be remanufactured."

To begin with, then, our standard is now ten per cent less than pure silver or pure gold. Is not that enough? Shall we seek a lower deep, and at one bound make it all alloy—all paper? I have no great faith in an exclusively metallic currency; but I have none whatever in an exclusively paper currency. I have heard a carriage maker say that a carriage was really better by being made of part putty; but I even he was rather staggered at the idea for last reason of making one of all putty. I am for a mixed currency—only a part putty, at any rate; for specie and paper, and for making

the paper a full equivalent, and exchangeable for specie at all times.

By making paper a legal tender, no more specie will be seen, except through offers of rewards to draw it from its hiding-places, until we emerge from our present difficulties, and not for an indefinite period, perhaps, thereafter. The \$300,000,000 of specie said to be in the country, though I think there is not quite so much, will be hoarded, and remain useless and idle for the rest of the war. I am for keeping this, the vital fluid of commerce, in healthy, active circulation. The sight of our eagles is as necessary to the courage of our people at home as to the men in the Army.

In the interesting speech of the gentleman from Massachusetts, [Mr. ALLEY,] made a few days since, while the gentleman was arguing in favor of making paper a legal tender, all his historical citations appeared to me to show the unsoundness of his position, and I could only explain it on the theory that he had espoused new doctrines, and had not had time to get rid of his old traditions, for he is traditionally right. Why, sir, he cites us to the tyrannical reigns of such monarchs as Henry VIII to prove that whenever the coin was arbitrarily debased the people suddenly became prosperous!

No historian has heretofore ventured to eulogize this mottled-faced villain for contracting prodigious debts, and then for swindling his creditors by paying them off in base metal, and, if he could speak from across the great gulf, I think he would tender thanks for the few drops of water poured upon his parched tongue by the gentleman from Massachusetts, though it comes late and through a Puritanic ally that he could hardly have anticipated. The gentleman's citations mean to eulogize the expedients, as found in English history, of inflating or debasing the currency, or they mean nothing; and, if they mean nothing, they should not have been cited. This process of debasing the currency never added a single blade of grass to the wealth of any country. It only enables it to be measured in a new and smaller measure, while counted at the old rate. To illustrate its effects, it ordains that a half bushel shall hereafter be deemed and taken to be and is a bushel, and shall be a lawful tender on all contracts heretofore made or hereafter made. That is all the merit there is in the prosperity of these expansions to which the gentleman referred, and it is unreal, while its demerits are real and flagrant. The integrity of the gentleman from Massachusetts did not allow him to omit from the record the fact that, in the reign of Edward VI, "other nations now

characterized the English coinage as 'infamous.' Now, sir, if we would escape a record like that, the brand of "infamous" upon the American coinage, let us reject any scheme for making paper a legal tender. The civilization of the present day would not fail to be fully as appreciative of our short-comings as that of former days was of the follies and vices of our progenitors. I trust the morality of this age is not to be placed on a par with that of the poodle-dog days of England.

The facts in relation to the suspension of specie payments by the Bank of England from 1797 to 1823 are cited to prove the soundness of the policy proposed now of making paper a legal tender. The gentleman from New York [Mr. SPAULDING,] stated, and others may have done so, that the notes of the Bank of England were made a legal tender at the time referred to. This I think is a mistake. The bank was prohibited from paying out specie for them, and they were received and paid out in all business transactions by the bankers of London and others by common consent, but they were not made a legal tender. The English Government did not stain their reputation with such an act, even at a time when, in their fierce hate, they did not shrink from blotting a page of their history with fastening to a rock, by Prometheus chains, the Titan who, as their national foe, inspired them with perpetual terror.

But why did not the gentleman cite a more recent case, and one exactly in point—that of Austria? Simply because that, as all others recorded in history have been, was a total failure. Austria undertook this process of making forced loans—for it is really nothing less—by making Government paper a legal tender, and it proved a miserable failure. Their paper fell (or gold bore a premium, which is the same thing) forty per cent. The Mexican mode of violent seizure is far more efficient, and about equally sound in morals.

The only legislation of any importance which occurred in relation to the Bank of England, if I am not mistaken, was after the notes of the bank had fallen below the price of standard gold, when a nobleman, owning numerous landed estates, published a notice to all his leaseholders that he would not accept rents in Bank of England notes unless enough was brought to buy the amount due in gold or sovereigns. It was then seen that this course would be likely to be adopted by others, and spread over all parts of the kingdom. To prevent this result, Lord Eldon brought in a bill, which passed, providing that no landlord should distrain for rent after having had the amount due tendered in Bank of England notes.

Under the new charter of the bank (Sir Robert

Peel's) the notes were made a tender; but the amount of issue was limited to the amount of the public securities (£14,000,000) and the amount of specie actually in the bank; and the bank itself is compelled at all times to redeem its own notes in specie.

But when the Bank of England, in 1823, resumed specie payments, although taking four long years to prepare for this event, the shock was so great as to convulse the whole country. The year 1824 stands out conspicuously in the history of England as an era of commercial ruin and individual distress. The numbers then for the first time consigned to pauperism were deplorably large, and the children's teeth were set on edge to the third and fourth generation.

No one here contemplates but that at some future time the banks and the Government shall resume specie payments—the banks depending entirely upon whether the Government does so or not—and, if so, I invite them to calculate the cost of the descent from that basis, the cost of the return—the expropriation pains to be suffered, and then determine whether we shall carry on this war on a specie basis or on a ceaseless flood of paper, bartered at discordant prices in every city, town, and hamlet of the country, bearing in mind that however cheaply obtained, every dollar is to be and will be ultimately repaid in gold or silver coin raised by taxation.

That I am not wrong in supposing if we launch this measure that we have nothing else to put afloat, is quite apparent in the able speech of my friend from New York, [Mr. SPAULDING,] who plainly occupied his ground reluctantly; for, besides the \$150,000,000 of notes he now proposes to authorize, he more than hints at the possibility of "a further issue of demand notes, if Congress shall hereafter deem it necessary."

By taking the first step in making paper a legal tender we shall sever all connection with any other fountains of supply. We cannot retrace our steps, but must go on. No sane man would spontaneously take stock liable by the practices of the Government to be reduced the very next day ten per cent. or any other per cent. in its value. So that if Congress should have the virtue to wish to cease the further issue of those notes it would no longer be an open question. But, having tested this facile mode of paying debts, I fear the stern and honest mode of taxation would be repugnant to many constituencies, and that the doors of the temple of paper money would not soon again be closed. Gentlemen may think otherwise, but like a certain heretic, who

"Said she'd never consent, and consented still,"

Congress would consent. If we have not the virtue and power to resist the temptation now, while our reputation is spotless, we shall have still less when the whole country becomes debauched.

Upon a point there can be no dispute. The Constitution expressly declares that Congress shall pass no *ex post facto* law. Can we pass a law compelling the acceptance of paper in lieu of standard coin in contracts made one, two, or five years ago? If the coin is only worth three and a half per cent. more than paper, is it not to that extent an *ex post facto* law, and as such a violation of the Constitution as any law of a State could be "impairing the obligation of contracts?" The right to change the standard of coin exists, but the right to create a standard of paper, and give an option, is a novelty. In the early days of our country it was the custom to make notes for merchants neat stock in due form, with the addition of "bulls and stags excepted." Hereafter all contracts will need to be made payable in coin, or wit the addition of "United States bills and rags excepted." If the provision making the notes a legal tender should unfortunately pass, it certainly ought, in equity, to provide that it shall only apply to contracts hereafter made.

At the last session of Congress we unwisely, as I thought, raised the pay of our Army, as though our men could be only induced to espouse the cause of their country at the highest wages, with board and clothes in addition; but having done this, shall we avoid the full contract by tendering ninety cents or less on the dollar? This is not the true way. No—

"At your dessert bright power comes too late,
When your first was all served up in plate."

If it must be so, I would rather say, with soldier-like frankness: "Officers and men! the work is heavy, you have prolonged it somewhat beyond our calculations, and the monthly drain upon the Treasury is very large. We shall therefore put your pay at the old mark, but we will not whittle it down; by giving you anything worth less than a hundred cents on the dollar."

But Mr. Chairman, I do not think it will be necessary to cut down the pay of our men by any *modus operandi*, provided they will only give us some equivalent for it. Give us a fight!

There is another consideration of paramount importance. The tariff of March 2, 1861, has thus far operated beneficially by keeping the importations of foreign goods within bounds, and by enabling our people to retain much the largest quantity of specie ever before in the country. Even the enemies of that bill concede that it has done

all that is claimed for it, though they add, it is by accident. Now, more than at all other times, it is necessary, while every eighth man of the loyal States must be supported in the field, while every twenty discharges of a big rifled cannon costs the price of a man's year's labor, to give employment to the decimated ranks at home—to all the yet remaining industry of the country. But expand the currency, and the prices of living and the cost of materials would so advance that labor could no longer be profitably employed. Everything would be obtained cheaper abroad, and the tariff, calculated for a sound currency, would when collected in the inflated medium—the equivalent of clipped coin—be no more a shield to American labor. We should pay for foreign goods in specie, for duties in legal tender paper, and there an end of all protection! While we are at war every muscle and every sinew of our people should find active employment at home, and at living wages. While we are at war every dollar of money in the country should gladden the eyes of our own people, and depart on no foreign mission. If we are to tax the people, we should not deprive them of employment.

The European world regards it as our weak point that we cannot secure our loans by stability of taxation; and our own large capitalists, I regret to say, participate to some extent in this unworthy and unfounded suspicion. The bill, as reported by one half of the Committee of Ways and Means, I fear will do little towards building up public confidence. But I am ready, if my voucher were worth anything, and I think I know something of the temper of this House, to say the Representatives here will not flinch from any duty that may devolve upon them, and will not come short of their whole duty in levying such taxation as should make the securities of the nation invulnerable even to the shadow of a miser's doubt.

Of course it takes time to gather the requisite data, to prepare the necessary machinery, and to adjust the burden equitably upon all shoulders; but it will be done, and very speedily. My friend from Indiana [Mr. COLFAX] has ingeniously thrown his heavy pack of newspapers on to the back of the Committee of Ways and Means, and while I presume they do not intend any capital or profits shall slirk in this war, they have no purpose to signalize any interest with oppression, nor do they expect in any way to provoke a whisky or newspaper rebellion.

The past financial history of our country ought to afford some guarantee of the future. A nation that pays a large premium for the privilege of pay-

ing its debts before they are due should, at least, have the credit of a fixed purpose to pay all debts when they become due. No like numbers of people on the earth can sustain a greater load of taxation than the people of the loyal States, for no others produce individually and collectively so much annual wealth. The increased taxation of this year, as large as it may be, will not absorb more than one third of the surplus accumulations of the year; and, could it be subtracted from one of many of our mineral mountains, would hardly be missed. The gold produced will alone pay far more than the interest on any probable public debt. Foreign nations derive a revenue from the tobacco sent from this country of perhaps an equal amount. The coal and mineral deposits of this country furnish an inexhaustible capital. The agricultural and manufacturing capabilities of our land and people are sufficient to carry us through any war, offensive or defensive. There is no lack of means, and these have only to be organized and properly led to give our credit a foundation as solid as the footstool of Jehovah, (if I may be allowed so to speak,) as our armies only need to be organized and properly led to prove us invincible in other fields.

It must also be borne in mind that the first six months of a war are more exacting than any subsequent period. We have passed all that. The expensive outfit and the costly transportation, it is to be assumed, will not have to be repeated. There may be, too, more forging upon the enemy as the Army advances, and less chance for the vampires at home, who have bled the Treasury when they ought to have been made to bleed themselves.

I maintain that the bill, as reported by one half of the Committee of Ways and Means, should not pass, because it will infinitely damage the national credit; because it will cut off all other chances of supplies; because it will reduce our standard of legal tender already sufficiently debased; because it will inflate the currency and increase many fold the cost of the war; because it would slide into the place of proper taxation; because, as a resource, it must ultimately fail, and tend to a premature peace; because it is a question of doubtful constitutionality; because it is an *ex post facto* law, immoral, and a breach of the public faith; because it will at once banish all specie from circulation; because it will dampen the ardor of our men at home as well as soldiers in the field; because it will degrade us in the estimation of other nations; because it will cripple American labor, and throw at last larger wealth into the hands of the rich; and because there is no necessity calling for such a des-

perate remedy. I agree with the gentleman from New York [Mr. SPAULDING] in one thing most cordially: our finances stand in need of the tonic of decided military success. Without that our stocks will continue to be quoted flat. And yet I am no chronic growler. Standing at zero, our Army rose as by a magical wand and illumined the whole heavens by its magnificent sweep. Do not let it be said we rose like the rocket and fell like the stick!

The result of the military campaign, though not all that could have been wished, presents nothing which should breed despondency. Nor, considering the desperate character of the rebellion, and the wide extent of territory it embraces, need we be afraid of a contrast with any first-rate Power of Europe in any similar initial chapter of war in their history. The first year of the English army at the Crimea was one of continual disaster, disease, and death. Their naval attack, unlike what our own have been, was a total failure. On land, though brave, they fared little better. The charge of the Light Brigade, where "some one had blundered," Tennyson has fixed in all memories. Twice they attempted the Redan, and twice got soundly thrashed. When Lord Raglan died, then Sir Russell, of the Times, said he was "an accomplished gentleman, but no general." General Simpson was then made the commander-in-chief, with no better success, and he was removed for utter ineptitude. At last, Colonel Codrington, a "lucky guardian," as he was called, was promoted to the chief command. Three changes were thus made, and even the last did not enable the English army to bring away a fair share of laurels. It was the French who took the Mamelon, the French who took the Malakoff, and this caused the surrender of Sebastopol.

It would seem that our English cousins at least might refrain from criticisms upon the results of our campaign while these facts are so fresh in hand. Our Army have demonstrated that Maryland, Missouri, and Kentucky cannot fall a prey to secession. Tennessee, not unwillingly, must follow the fate of Kentucky. Florida is now so far within our grasp that we only wait our convenience to occupy it. North Carolina, Texas, and Louisiana, if not Georgia, are already at least half disposed to come back to the old flag without a fight. Virginia is only half retained by garrisons which absorb nearly one half the whole body of the rebel troops, and these without the softness of "the sacred soil" would not long be enough. Our forces now threaten by sea, land, and river the entire boundaries of the rebellious States with

the roar of artillery and the clash of arms. Break through somewhere we must, and if anywhere, the bay of the rebellion is broken. Ten of the rebel generals have been killed, have resigned, or committed suicide, and the idea of March will be more tolerable for these than for twenty others yet living. But General McClellan must harvest some of the glories of this war within the next ninety days, or be gazed at "an accomplished gentleman, but no general." Success is as much a financial as a political necessity. There need be no headlong haste, but the fatal blow must be delivered, and that speedily.

Mr. Chairman, it will be seen from the substitute, as proposed on the part of one half of the Committee of Ways and Means, that I do not object to the issue of United States notes to a limited extent to circulate as currency. It is both convenient and proper. But I wish to have this issue marked by metes and bounds, saying at the outset, thus far shalt thou go and no further. Then let them be based on as solid a foundation as the everlasting hills, that they shall be the full equivalent of standard coin. This can be done by fixing the amount, ample but reasonable, that not more than the fixed amount shall at any time be put in circulation, and by providing taxation sufficient at all times to retire them or to maintain their full value. But, with all the earnestness I possess, I do protest against making anything a legal tender but gold and silver, as calculated to undermine all confidence in that Republic whose reputation should be dearer to statesmen, as well as to soldiers, than life itself.

I have thus in a plain, blunt manner expressed my convictions as to the policy proposed by the majority of the Committee of Ways and Means; and now I recognize the propriety of endeavoring to show that the substitute proposed by the minority or one half of the Committee of Ways and Means is better than the original bill. I believe it to be so, or I would not advocate it. It is simple in its provisions, and easily understood.

We propose no new issue of Treasury notes, but leave the fifty millions already authorized to be issued and reissued as may be found necessary or convenient. This will secure us against an inflated currency.

Then it is proposed to issue \$100,000,000 in United States notes, bearing interest at the rate of three and sixty-five hundredths per cent., payable at the pleasure of the United States, and allowing them with accumulated interest to be received for all debts and demands (taxes included) due to the United States, except duties on imports, and exchangeable at the will of the holder, whenever presented in sums not less than fifty dollars, for United States seven and three tenths per cent. coupon or registered stock. They are also to be received at par, with accumulated interest, for any bonds the Government may hereafter issue. These notes to be paid out for all salaries, debts, and demands due to individuals or corporations, at their option, within the United States. In substance this is very like English exchequer notes issued in anticipation of revenue. It is most probable these notes would maintain their credit at or near par; and there should be any difference between

these and gold it would be an honest difference, visible to all men. As they accumulate they will be funded and retired, or reissued, as the exigencies of the Government may require. They equip the Treasury as well as any legal tender paper could do, while, bearing interest, they would not pass into the general volume of the currency, and they afford the only possible channel of obtaining any considerable sums to be consolidated into stocks. They cannot exceed the amount of internal duties that will be levied, which will create a sure and constant demand for these notes, and sustain their credit in every State and Territory of the country.

We do not propose to receive these notes for duties on imports, for the reason that it is desirable to leave the tariff stable amid all fluctuations, and, also, that we may secure the coin we promise to pay out as interest on the bonds.

It is then proposed, in order to perfect this plan in all its parts, to issue \$200,000,000 in coupon or registered bonds, payable in ten years, with interest semi-annually in coin, at the rate of seven and three tenths per cent. per annum. This is comparatively a high rate of interest, and it may be necessary that it should be so, in order to get the stock taken up by capitalists; but the time the bonds are to run is limited to ten years, because it would be much against the interest of the United States to engage to pay a high rate of interest for a long period of time. We think there can be no doubt that these bonds will all be taken, commencing as soon as the tax bill shall be passed. Unless the credit of the United States shall be utterly shattered, which is not for a moment to be apprehended, these bonds must be considered a most desirable investment, both in large and small sums.

It is also proposed to issue \$300,000,000 in coupon, or registered bonds, payable in twenty-five years, with interest at six per cent., payable semi-annually in coin. Usually Government bonds running for the longest time command the highest price, and for permanent investment are most eagerly sought after at home and abroad. As we emerge from our present embarrassments, the other forms of debts due by the United States will naturally be funded in such stock.

We promise coin for all interest on bonds, as it is indispensable that all engagements assuming this solemn form should in no instance repudiate the standard of the Constitution.

We strike out all words in relation to any foreign loan, as during this war we expect to fight our own battles, furnish our own means, without any foreign aid or assistance; and if we can be permitted to do that, we shall ask no further favors.

This substitute avoids all the material, and, we might say, fatal, objections to the original bill, is entirely practical and feasible in its character, and will not only relieve the Treasury from its present necessities, but do something towards making provision for future wants.

It is a question that will mark for well or for woe an important page of our history; and I invoke the courage and judgment of the committee to meet the question with that cool deliberation its high moment demands.

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